

Message Text

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ACTION AF-18

INFO OCT-01 ARA-16 EUR-25 NEA-10 IO-14 ISO-00 CIAE-00

DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04

RSC-01 PRS-01 SPC-03 SS-20 USIA-15 EB-11 SCEM-02

SCI-06 INT-08 COME-00 TRSE-00 OMB-01 STR-08 DRC-01

/198 W

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R 101503Z JAN 74

FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC 7196

INFO AMEMBASSY ACCRA

USINT ALGIERS

AMCONSUL ASMARA

AMEMBASSY BAMAKO

AMEMBASSY BONN

USMISSION USEC BRUSSELS

USINT CAIRO

AMEMBASSY CARACAS

AMEMBASSY DAR ES SALAAM

AMEMBASSY GABORONE

USMISSION GENEVA

AMEMBASSY JIDDA

AMEMBASSY KHARTOUM

AMEMBASSY KINSHASA

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AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY YAOUNDE

C O N F I D E N T I A L ADDIS ABABA 0343

E.O. 11652: GDS

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TAGS: OAU, ENRG, EFIW

SUBJECT: OAU SECRETARIAT REPORT ON IMPACT OF OIL EMBARGO ON
MEMBER AFRICAN STATES

REF: ADDIS ABABA 0093

1. EMBASSY HAS CONFIDENTIALLY OBTAINED COPY OAU SECRETARIAT REPORT DELINEATING PROPOSED NEGOTIATING POSITION FOR OAU COMMITTEE OF 7 DISCUSSED REFTEL. SUMMARY OF REPORT, WHICH EMBASSY POUCHING SEPARATELY TO DEPARTMENT, IS AS FOLLOWS:

2. OAU REPORT BEGINS WITH DETAILED ANALYSIS OF FINANCIAL IMPACT OF INCREASED OIL COSTS ON 28 NON-OIL PRODUCING INDEPENDENT BLACK AFRICAN COUNTRIES. ACCORDING REPORT, IF AVERAGE CRUDE OIL PRICE OF US 7 DOLLARS PER BARREL IS REACHED IN 1974 THEN COST OF 1974 PETROLEUM IMPORTS TO ABOVE 28 AFRICAN COUNTRIES WOULD BE ABOUT US 619 MILLION DOLLARS AT 1973 CONSUMPTION LEVELS OR INCREASE OF US 267 MILLION OVER 1973. REPORT CONTINUES THIS ADVERSE B/P IMPACT WOULD BE FURTHER AGGRAVATED BY (A) LIKELY DOWNTURN IN AFRICAN COMMODITY PRICES AND FOREIGN EARNINGS DUE TO DEMAND STAGNATION IN DEVELOPED COUNTRIES AND (B) INCREASED COST OF MANUFACTURED IMPORTS.

3. COMMENTARY ON SUPPLY PROBLEMS ALLEGES PROBABLE DIVERSION FROM AFRICAN TO DC CUSTOMERS AS RESULT OF PRESENT MARKETING ARRANGEMENTS LARGELY CONTROLLED BY MULTINATIONALS. REPORT VIEWS ANY RESTRICTION IN SUPPLY TO BE PARTICULARLY HARMFUL TO AFRICANS WHO NOT AFFORDED OPTION OF SIGNIFICANT CURTAILMENT OF LUXURY USES.

4. REPORT DESCRIBES LEVERAGE OF OIL AS A POLITICAL WEAPON TO BE EFFECTIVE ONLY SHORT TERM IN VIEW DC SHIFTS TO SUBSTITUTE FUELS, CURBING OF CONSUMPTION WASTE, AND INCREASED PETROLEUM SUPPLY FROM NON-ARAB SOURCES.

5. REPORT LISTS AFRICAN GOALS IN NEGOTIATIONS WITH ARABS AS:
(A) ADEQUATE SUPPLY (AT DIFFERENTIAL PRICES IF POSSIBLE)
(B) EFFECTIVE MAINTENANCE OF EMBARGO AGAINST SOUTH AFRICA
AND PORTUGAL
(C) DEVELOPMENT FINANCE FOR AFRICAN INFRASTRUCTURE PROJECTS
(D) DEVELOPMENT OF INCREASED TRADE RELATIONS WITH ARABS
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(E) JOINT-VENTURE INVESTMENTS IN AFRICA

6. REPORT ALSO STRESSES THAT AFRICAN SOLIDARITY IN BREAKING RELATIONS WITH ISRAEL SHOULD BE HIGHLIGHTED IN NEGOTIATIONS WITH ARABS TO OBTAIN SUPPORT FOR ABOVE GOALS.

7. REPORT CONCLUDES WITH APPEAL FOR EXAMINATION OF INCREASED AFRICAN CONTROL OF OIL TRANSPORT AND DISTRIBUTION AS MEANS TO

ENSURE ADEQUATE SUPPLIES.

8. COMMENT: EMBASSY IS STRUCK BY CONTRADICTION IN REPORT BETWEEN (A) CAREFUL ANALYSIS OF VERY ADVERSE B/P IMPACT OF OIL EMBARGO ON AFRICAN ECONOMICS, (B) REALISTIC QUALIFICATION OF PROSPECTS FOR DIFFERENTIAL ARAB PRICING, (C) PERCEPTIVE COMMENT ON WEAKENING LEVERAGE OF OIL WEAPON AS TIME PASSES; AND SEEMINGLY IMPRACTICABLE PROPOSALS FOR OFFSETTING IMPACT OF EMBARGO OVER SHORT TERM. ADAIR

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM, LESS DEVELOPED COUNTRIES, EMBARGOES, FOREIGN MINISTERS MEETINGS, COMMITTEE MEETINGS, MEETING REPORTS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ADDIS00343
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: ADDIS ABABA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740152/aaaabwsl.tel
Line Count: 124
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: ADDIS ABABA 0093
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 27 MAR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <27 MAR 2002 by worrelsw>; APPROVED <15 MAY 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OAU SECRETARIAT REPORT ON IMPACT OF OIL EMBARGO ON MEMBER AFRICAN STATES
TAGS: ENRG, EFIN, OAU
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005